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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: May 2, 2011

Re: Resolution Authorizing Internal Advance and Economic Development Grant

Introduction and Background:

At the Council meeting on May 5, 2011 the City will be holding a public hearing on the expansion and consolidation of the City's Urban Renewal Plans. After the hearing, Council will consider a resolution to approve this expansion and consolidation. This new consolidated Urban Renewal Plan includes provisions to allow for economic development grants and incentives to be used throughout the current City boundaries.

Earlier this year City Council discussed and supported providing economic development incentives to assist in the retention of Bridgestone-Bandag jobs in the community. A local funding commitment was needed as part of the application for State economic development assistance. The Greater Muscatine Chamber of Commerce and Industry (GMCCI) agreed to provide the necessary local funding at the time of the grant application with the understanding that the City would replenish one half or \$70,000 of funds used for this purpose to their revolving loan fund.

Internal TIF Advance and Economic Development Grant:

The attached resolution was prepared by John Danos of Dorsey & Whitney, the City's bond counsel. The resolution includes provisions declaring and affirming that the grant to the GMCCI in connection with the Bandag project is for economic development and this is an eligible public purpose under provisions of the City's Urban Renewal Plan and the State Code. The Resolution also approves the \$70,000 grant to the GMCCI and provides for an internal advance of these funds to be made from the Southend TIF fund.

Recommendation:

Please include the attached resolution on the agenda for the May 5, 2011 meeting. If there are any questions or if any additional information is needed, please contact me.

RESOLUTION NO _____

AUTHORIZING INTERNAL TIF ADVANCE AND ECONOMIC
DEVELOPMENT GRANT

WHEREAS, Chapter 15A of the Code of Iowa ("Chapter 15A") declares that economic development is a public purpose for which a city may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons; and

WHEREAS, Chapter 15A requires that before public funds are used for grants, loans or other financial assistance, a city council must determine that a public purpose will reasonably be accomplished by the spending or use of those funds; and

WHEREAS, Chapter 15A requires that, in determining whether funds should be spent, a city council must consider any or all of a series of factors; and

WHEREAS, the City of Muscatine, Iowa (the "City"), has previously established the Consolidated Muscatine Urban Renewal Area (the "Urban Renewal Area") and has established various Urban Renewal Area Tax Increment Revenue Funds (the "Tax Increment Funds") in connection therewith; and

WHEREAS, the City has undertaken an urban renewal project consisting of funding an economic development grant (the "Grant") to the Greater Muscatine Chamber of Commerce and Industry in connection with the Bandag economic development project (the "Bandag Project"); and

WHEREAS, in order to make the City's costs of funding the Grant eligible to be paid from future incremental property tax revenues, it is necessary to facilitate an internal advance of funds in the amount of \$70,000; and

NOW, THEREFORE, IT IS RESOLVED by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. It is hereby directed that an amount equal to Seventy Thousand Dollars (\$70,000) be advanced for the funding of the Grant from the South End Urban Renewal Tax Increment Revenue Fund (the "Advance"). The Advance shall be repaid to the South End Urban Renewal Tax Increment Revenue Fund, without interest, out of future incremental property tax revenues received relative to the Tax Increment Funds.

It is intended that the Advance, plus accrued interest thereon, shall be repaid over a period of 1 fiscal year commencing in the 2012-2013 fiscal year on June 1, 2013, provided however that repayment of the Advance is subject to the determination of future City Councils that there are incremental property tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Funds relative to the Advance, and the City Council reserves the right to appropriate funds, or to withhold such appropriation, at its discretion.

Section 2. A copy of this Resolution shall be filed in the office of the County Auditor of Muscatine County, Iowa to evidence the Advance. Pursuant to Section 403.19 of the Code of Iowa, by no later than December 1, 2011 the City Clerk shall certify the Advance, plus accrued interest thereon as an obligation payable from the Tax Increment Funds to the County Auditor.

Section 3. Pursuant to the factors listed in Chapter 15A, the City Council hereby finds that:

- a) The Bandag Project will add diversity and generate new opportunities for the Muscatine and Iowa economies;
- b) The Bandag Project will generate public gains and benefits, which are warranted in comparison to the amount of the proposed Grant;

Section 4. The City Council further finds that a public purpose will reasonably be accomplished by making the Grant in connection with the Bandag Project.

Section 5. The Grant is hereby approved. The City Administrator is hereby authorized and directed to take such actions and prepare such documents as may be necessary to carry out the purposes of this Resolution, and the Mayor and the City Clerk are hereby authorized to execute such documents as may be necessary to implement the Grant approved herein.

Section 6. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

PASSED AND APPROVED this 5th day of May, 2011.

Mayor

Attest:

City Clerk